USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 5/20/2009

GAIN Report Number: AR9016

Argentina

CITRUS SEMI-ANNUAL

2009

Approved By:
David Mergen

Prepared By:
Maria Julia Balbi

Report Highlights:

Fresh citrus production for CY 2009 is estimated to decrease to 2.63 million metric tons (MT). Lemon production is forecast to increase primarily due to higher yields. Orange and tangerine production is expected to decrease as a result of drought and late frosts. Grapefruit production is also expected to fall as area planted is decreasing. Exports of all four types of citrus are forecast to fall mainly as a consequence of the international financial crisis and lower production (orange and tangerine). Lemon domestic consumption is expected to remain stable. Orange, tangerine, and grapefruit consumption is estimated to decrease primarily due to lower production. The Argentine Government cut in half the export tax on fresh fruits and vegetables for 2009 in an effort to encourage exports.

Executive Summary:

Post forecasts an increase in fresh lemon production for CY 2009 to a total of 1.45 million MT primarily due to higher yields. Fresh orange production is forecast to fall to 660,000 MT and fresh tangerine production to drop to 290,000 MT as a result of a severe drought and late frosts. Fresh grapefruit production is also expected to decrease to 230,000 MT as area planted to grapefruit is gradually decreasing. Domestic consumption in CY 2009 is estimated to remain stable for lemons and decrease for the other 3 types of citrus due to lower production. Exports of all four types of fruits are forecast to decrease mainly as a result of lower production (orange and tangerine) and the impact of the global economic crisis.

Post is increasing its estimated production for CY 2008 lemon, orange, and tangerine production over initial estimates due to revised information from contacts in the industry. Despite the effect of frosts, followed by drought, which affected blossoms in most of the citrus production areas in 2007, production did not fall as much as initially estimated. Grapefruit production is forecast to remain stable.

The GOA reduced the export tax on fresh fruits and vegetables by half on December 31, 2008. Fresh deciduous fruit and stone fruit currently pay a 5 percent export tax, while citrus fruit and vegetables pay 2.5 percent. See the Import and Export Regulations section for additional information on the change in the export tax.

Commodities:
Lemons, Fresh
Oranges, Fresh
Tangerines/Mandarins, Fresh
Grapefruit, Fresh

Production:
In CY 2009, lemon production is expected to increase to 1.45 million MT due to higher yields as a result of good weather conditions, and additional plants entering production. Orange production is estimated to decrease drastically to 660,000 MT, and tangerine production to 290,000 MT as a consequence of a severe drought and late frosts which affected blossoms. Grapefruit production is forecast to decrease to 230,000 MT as area planted to grapefruit is being devoted to orange and sugar cane production since the grapefruit business is becoming increasingly unprofitable.

Based on updated information from the industry, CY 2008 lemon production was 1.36 million MT, an increase compared to previous estimates. Estimated orange production increased to 940,000 MT and tangerine production to 410,000 MT from initial estimates, as late frosts and a hail storm in October 2007 did not have as severe an affect as expected on most production areas in north-east Argentina (NEA).

Grapefruit production for CY 2008 remained stable at 240,000 MT, During the past few years area planted to grapefruit has been decreasing and this trend is expected to continue. Both domestic and international demand is falling as the consumer usually relates grapefruit to elderly people. In addition, grapefruit activity is becoming unprofitable due to low international prices. Grapefruit is also more sensitive to canker disease, which makes plant management more complicated.

In CY 2008, area planted to lemons decreased to 42,000 ha, compared to CY 2007, as several small lemon producers shifted to other crops with better yields -- such as sugar cane -- due to a poor harvest in CY 2007 and low domestic prices.   Area planted to oranges remained stable, and area planted to tangerines decreased slightly as urban migration reduced labor availability. Area planted to grapefruit also fell as about 700 hectares of old plantations were removed and replaced by orange plantations. Private sources stated that the higher yield of new plantations partially offset the overall decrease in area planted to citrus.

Citrus production costs in CY 2008 reportedly increased by over 30 percent. The highest increases were for labor, fertilizers, and energy.

Argentine Citrus Production (1,000 MT)				
	CY 2007	**CY 2008**	**CY 2009**	
Lemons	1,470	1,360	1,450	**+6.5%**
Oranges	990	940	660	**-30%**
Tangerines	440	410	290	**-30%**
Grapefruit	240	240	230	**-5%**
TOTAL	**3,140**	**2,950**	**2,630**	**-11%**
Change from previous year		**-6.5%**	**-11%**	

Source: FAS Buenos Aires

Processing

In CY 2009, fresh lemon for processing is forecast to increase to slightly over 1 million MT due to larger production and the impact of the global financial crisis on international markets which will affect exports. Orange and tangerine for processing are estimated to decrease due to lower production, and grapefruit for processing is expected to remain stable.

Fresh lemon devoted to processing in CY 2008 increased to 905,000 MT, compared to initial estimates, as a result of larger production and smaller exports than expected. Orange and tangerine for processing also increased due to larger production. Grapefruit for processing remained stable.

Argentine Citrus for Processing (1,000 MT)			
	CY 2007	**CY 2008**	**CY 2009**
Lemons	1,055	905	1,035

Oranges	300	238	170
Tangerines	140	105	70
Grapefruit	131	119	120
TOTAL	1,626	1,367	1,395
Change from previous		-16%	+2%

Source: FAS Buenos Aires

Factors Affecting the Industry Structure

Shipment of citrus was disrupted during the Argentine farm strike, which affected transportation throughout the country for extended periods during March to June of 2008. Transportation has returned to normal since the end of the farm strike.

Consumption:

Lemon domestic consumption is expected to remain stable in CY 2009. Lemon consumption does not typically vary over time, as is the case for oranges and tangerines -- the "sweet" citrus categories -- which are often replaced by other types of fruit depending on the price. Orange and tangerine consumption is forecast to decrease due to lower production. Grapefruit consumption is estimated to decrease slightly.

Estimated annual per capita consumption is as follows: lemon, 1.25 kg; orange, 13.8 kg; tangerine, 5.3 kg; and grapefruit, 2.3 kg.

Argentine Citrus Domestic Consumption (1,000 MT)			
	CY 2007	**CY 2008**	**CY 2009**
Lemons	55	55	55
Oranges	490	550	380
Tangerines	200	210	140
Grapefruit	80	90	80
TOTAL	825	905	655
Change from previous		-10%	27.5%

Source: FAS Buenos Aires

Trade:

Exports

Fresh lemon exports are expected to decrease in CY 2009 to 360,000 MT due to increased lemon production in Spain and Turkey, as well as financial difficulties and local currency devaluations in some of the main export markets, such as Russia. Argentine exporters also have problems due to the difficulty in obtaining financial assistance for exports.

Orange and tangerine exports are estimated to decrease due to lower production and international demand and, in the case of oranges, because the harvest in South Africa was more competitive due to the large crop and devaluation of the local currency. Grapefruit exports are expected to decrease slightly.

CY 2008 fresh lemon exports decreased, compared to previous estimates, and despite larger production, because more fruit was devoted to processing than initially expected. Orange, tangerine, and grapefruit exports increased slightly due to larger production.

Argentine Citrus Exports (1,000 MT)			
	CY 2007	CY 2008	CY 2009
Lemons	360	400	360
Oranges	200	154	110
Tangerines	100	95	80
Grapefruit	29	33	30
TOTAL	689	682	580
Change from previous year		-1%	-15%

Source: FAS Buenos Aires

The main export destinations, both in volume and value, in CY 2008 were as follows:

Fresh Citrus Fruit	Destination	Market Share
Lemons	**EU**	**73% (of total fresh lemon exports)**
	Russian Federation	**19%**
Oranges	**EU**	**57% (of total fresh orange exports)**
	Russian Federation	**23%**
Tangerines	**EU**	**40% (of total fresh tangerine exports)**
	Russian Federation	**40%**
Grapefruit	**EU**	**58% (of total fresh grapefruit exports)**
	Russian Federation	**30%**

Source: FAS Buenos Aires based on data from GTIS

Local producers are reportedly adjusting well to lower MRLs (maximum residue levels) that were introduced in the Russian Federation (second largest market for Argentine fresh fruit) on October 31, 2008. Implementation of the initial change in requirements for Argentine citrus, apples, pears, and table grapes was delayed for 60-days after negotiations between phytosanitary authorities in both countries. The regulations are currently in effect, but have not had a major impact on exports. The new MRL levels are lower than those required by the E.U., Japan, Canada, and the U.S, among other countries. In CY 2008, the Russian Federation accounted for about 30 percent of total Argentine fruit exports: 19

percent of lemons, 23 percent of oranges, 40 percent of tangerine exports, and 30 percent of grapefruit exports. MRLs are becoming an increasingly important issue at multilateral meetings among representatives from fruit export and import markets.

Argentine phytosanitary authorities continue negotiations with China to reopen the market for Argentine fresh citrus. Trade was interrupted in 2005 when China established cold treatment for all citrus fruit, which damaged the fruit quality. The industry has been focusing on other export destinations pending negotiations with officials in China.

Imports

Fresh citrus imports are expected to remain negligible in CY 2009, and this trend is forecast to continue, as Argentina is a net citrus fruit exporting country. In CY 2008, total fresh citrus imports totaled 4,209 MT, and were valued at over $2.7 million. Imports came mainly from the following countries: Chile (oranges, grapefruit, and lemons), Mexico (oranges), and Israel (grapefruit).

Policy:

Import and Export Regulations

On December 22, 2008, President Cristina Fernandez de Kirchner announced a new package of stimulus measures for the Argentine agricultural sector. The measures affecting fruit and vegetables were published in the Official Bulletin, Decrees Nos. 38/2008 and 40/2008, on December 31, 2008. They established that the export tax for pears, apples, peaches, citrus fruit, grapes, blueberries, strawberries, onions, frozen potatoes, beans and pulses were reduced by 50 percent (i.e. fresh deciduous fruit and stone fruit currently pay a 5 percent export tax, while citrus fruit and vegetables pay 2.5 percent).

Fruit exporters were pleased with the export tax reduction. While the decree did not establish any special incentives for fruit producers, producers expect the GOA to take additional measures to ensure that they receive part of the benefits of the export tax reduction.

Post does not expect the changes announced to have a significant impact on overall fruit production. Export taxes for these products were already relatively low (5 percent to 10 percent) and a reduction by half does not amount to a significant alleviation of tax burden.

Part of Argentina’s 2.5 percent export tax on citrus is rebated depending on the size of the container.

Export and Import Regulations

All Citrus Fruit (HTS codes: 080510, 080520, 080540, 080550)	
For countries outside MERCOSUR AREA	%
Import Tariff	10.00
Statistical Tax	0.50
Export Tax	2.50
Export Rebate for cases containing less than 16 kg.	5.00
Export Rebate for cases containing 16–20 kg.	4.05
Export Rebate for cases containing more than 20 kg.	2.70
For countries within MERCOSUR AREA	
Import Tariff	0.00
Statistical Tax	0.50
Export Tax	2.50
Export Rebate for cases containing less than 16 kg.	5.00
Export Rebate for cases containing 16–20 kg.	4.05
Export Rebate for cases containing more than 20 kg.	2.70

Source: FAS Buenos Aires based on data from Tarifar

Marketing:

Prices

In CY 2008, fresh citrus FOB prices reached record levels primarily as a consequence of lower supply from Spain and Turkey. The highest FOB price for lemons reached $1,076 per ton (June); for oranges, $552 (June); for tangerines, $889 (November); and for grapefruit, $684 (November).

Lemon	FOB Prices ($/MT)			
	2005	2006	2007	2008
January	300	360	0	583
February	490	550	482	1022
March	420	410	477	870
April	420	380	473	1016
May	410	380	469	1074
June	410	380	464	1076
July	400	380	469	976
August	390	380	466	758
September	380	390	483	710
October	360	400	367	694
November	100	1000	318	844
December	290	0	519	683
Average	**364**	**455**	**453**	**859**

Source: FAS Buenos Aires based on GTIS data

Orange	FOB Prices ($/MT)			
	2005	2006	2007	2008
January	30	30	54	35
February	30	30	77	36

March	30	30	37	36
April	30	30	67	251
May	300	360	372	534
June	310	370	429	552
July	330	340	435	549
August	300	350	436	520
September	300	370	394	472
October	240	336	397	409
November	210	237	236	66
December	30	70	36	43
Average	**178**	**213**	**247**	**292**

Source: FAS Buenos Aires based on GTIS data

Tangerine	**FOB Prices ($/MT)**			
	2005	**2006**	**2007**	**2008**
January	0	0	909	196
February	530	540	741	741
March	530	580	592	728
April	530	540	589	756
May	540	580	612	786
June	520	550	622	779
July	500	550	607	769
August	480	540	628	773
September	470	520	610	722
October	420	497	477	467
November	230	70	86	889
December	70	0	74	0
Average	**438**	**497**	**546**	**691**

Source: FAS Buenos Aires based on GTIS data

Grapefruit	**FOB Prices ($/MT)**			
	2005	**2006**	**2007**	**2008**
January	0	40	705	68
February	0	0	1187	72
March	390	480	489	167
April	380	380	468	651
May	370	390	439	587
June	380	420	430	594
July	380	480	451	590
August	440	450	460	587
September	370	300	472	412
October	0	52	77	161
November	100	0	73	684
December	40	52	70	0
Average	**317**	**304**	**443**	**416**

Source: FAS Buenos Aires based on GTIS data

Fresh citrus FOB prices ($/MT) for January-February 2009 were as follows:

Month/Citrus fruit	Lemon	Orange	Tangerine	Grapefruit
January 2009	713	43	333	0
February 2009	585	46	850	1,200

Source: FAS Buenos Aires based on GTIS data

The following were fresh citrus wholesale prices in CY 2008:

Lemon	Domestic Wholesale Prices ($/MT)				
	2004	2005	2006	2007	2008
January	250	210	180	380	1240
February	220	300	190	330	1160
March	220	220	220	260	630
April	240	210	250	280	540
May	190	180	200	230	298
June	160	170	170	200	332
July	150	160	150	170	387
August	150	150	150	160	363
September	160	150	150	190	308
October	160	150	240	340	460
November	180	180	290	430	447
December	200	170	N/A	800	401
Average	**190**	**190**	**200**	**310**	**547**

Source: Buenos Aires Central Market

Orange	Domestic Wholesale Prices ($/MT)				
	2004	2005	2006	2007	2008
January	180	150	120	230	210
February	240	210	160	350	310
March	360	150	270	220	300
April	410	170	300	270	350
May	210	170	280	310	322
June	170	180	220	260	283
July	140	170	210	220	300
August	150	150	190	190	331
September	150	150	240	180	299
October	160	180	310	190	372
November	190	190	310	170	361
December	200	140	0	190	259
Average	**210**	**170**	**240**	**200**	**308**

Source: Buenos Aires Central Market

Tangerine	Domestic Wholesale Prices ($/MT)				
	2004	2005	2006	2007	2008
January	290	160	250	180	0
February	300	370	0	0	0
March	210	180	200	0	190
April	160	160	240	200	250
May	140	150	230	190	288
June	130	130	220	170	299
July	120	110	200	130	341
August	140	140	190	140	340
September	170	130	210	190	293
October	200	140	250	190	366
November	210	200	280	170	439
December	200	220	0	160	0
Average	**190**	**170**	**210**	**140**	**312**

Source: Buenos Aires Central Market

Grapefruit	Domestic Wholesale Prices ($/MT)				
	2004	2005	2006	2007	2008
January	410	390	370	400	300
February	430	590	380	410	340
March	450	280	340	310	410
April	310	250	280	0	390
May	190	190	340	0	313
June	150	210	210	0	296
July	140	190	200	200	332
August	190	190	300	190	311
September	210	210	270	210	281
October	270	200	310	180	299
November	290	290	330	170	372
December	320	280	0	230	452
Average	**280**	**270**	**300**	**190**	**341**

Source: Buenos Aires Central Market

Fresh citrus wholesale prices ($/MT) for January-April 2009 were as follows:

Month/Citrus fruit	Lemon	Orange	Tangerine	Grapefruit
January	511	278	0	489
February	471	283	0	0
March	463	348	0	0
April	439	412	385	497

Source: Buenos Aires Central Market

Fresh citrus retail prices were as follows:

Domestic Retail Prices ($/MT)								
	Lemons				**Oranges**			
	2005	**2006**	**2007**	**2008**	**2005**	**2006**	**2007**	**2008**
January	450	420	950	1590	310	290	500	370
February	440	430	750	1000	300	350	500	380
March	480	450	680	750	300	440	480	410
April	470	460	600	0	310	500	490	0
May	440	430	550	0	350	440	440	0
June	420	400	520	0	330	390	370	0
July	400	390	460	0	310	360	320	0
August	380	390	480	0	300	350	320	0
September	400	390	510	0	300	390	330	0
October	430	450	680	0	290	430	340	0
November	430	550	1090	0	280	450	330	0
December	430	710	1400	0	310	470	350	0
Average	430	450	1570	0	310	410	360	0

Source: National Institute for Statistics and Census (www.indec.gov.ar). Domestic retail prices are no longer available for public consultation on the INDEC website.

Domestic retail prices for citrus fruit are as follows:

Citrus Fruit	**$/kg**
Lemon	**1.26**
Orange (Navel)	**0.53**
Tangerine (Nova)	**0.67**
Grapefruit	**0.80**

US$1 = AR$3.74
(May 15, 2009)

Source: Supermarkets and other retail stores

Production, Supply and Demand Data Statistics:

Lemons/Limes, Fresh Argentina	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	44.000	44.000	44.000	42.000	42.000	42.000	43.000		43.000
Area Harvested	40.700	40.700	40.700	41.500	40.700	41.500	42.000		42.000
Bearing Trees	11.000	11.000	11.000	13.000	15.000	13.000	13.000		13.000
Non-Bearing Trees	1.000	1.000	1.000	1.000	1.000	1.000	1.000		1.000
Total No. Of Trees	12.000	12.000	12.000	14.000	16.000	14.000	14.000		14.000
Production	1.470	1.470	1.470	1.100	1.100	1.360	1.300		1.450

Imports	0	0	0	0	0	0	0		0
Total Supply	1.470	1.470	1.470	1.100	1.100	1.360	1.300		1.450
Exports, Fresh	360	360	360	420	350	400	350		360
Fresh Dom. Consumption	55	55	55	50	40	55	50		55
For Processing	1.055	1.055	1.055	630	710	905	900		1.035
Total Distribution	1.470	1.470	1.470	1.100	1.100	1.360	1.300		1.450
TS=TD			0			0			0
Comments									
AGR Number									

Comments To Post

Oranges, Fresh Argentina	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	50.000	57.000	50.000	50.000	57.000	50.000	50.000		50.000
Area Harvested	45.000	56.000	45.500	45.500	56.000	45.500	45.500		45.500
Bearing Trees	20.000	20.000	20.000	23.000	20.000	23.000	23.000		23.000
Non-Bearing Trees	3.000	3.000	3.000	2.000	3.000	2.000	2.000		2.000
Total No. Of Trees	23.000	23.000	23.000	25.000	23.000	25.000	25.000		25.000
Production	990	800	990	800	850	940	1.000		660
Imports	1	0	0	2	0	2	1		0
Total Supply	991	800	990	802	850	942	1.001		660
Exports, Fresh	197	165	200	150	180	154	190		110
Fresh Dom. Consumption	494	460	490	442	480	550	441		380
For Processing	300	175	300	210	190	238	370		170
Total Distribution	991	800	990	802	850	942	1.001		660
TS=TD			0			0			0
Comments									
AGR Number									

Comments To Post

Tangerines/Mandarins, Fresh Argentina	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	36.500	36.500	36.500	34.000	36.000	34.000	34.000		34.000
Area Harvested	33.000	32.500	33.000	32.000	32.500	32.000	32.000		32.000
Bearing Trees	14.000	14.000	14.000	18.000	14.000	18.000	18.000		18.000
Non-Bearing Trees	1.000	1.000	1.000	2.000	1.000	2.000	2.000		2.000
Total No. Of Trees	15.000	15.000	15.000	20.000	15.000	20.000	20.000		20.000
Production	440	440	440	350	350	410	500		290
Imports	0	0	0	0	0	0	0		0
Total Supply	440	440	440	350	350	410	500		290
Exports, Fresh	96	100	100	90	90	95	95		80
Fresh Dom.	204	200	200	170	170	210	170		140

Consumption									
For Processing	140	140	140	90	90	105	235		70
Total Distribution	440	440	440	350	350	410	500		290
TS=TD			0			0			0
Comments									
AGR Number									

Comments To Post

Grapefruit, Fresh Argentina	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	12.400	12.400	12.400	11.700	12.000	11.700	11.700		11.700
Area Harvested	12.000	10.800	12.000	11.000	10.800	11.000	11.000		11.000
Bearing Trees	3.000	3.000	3.000	3.500	4.500	3.500	3.500		3.500
Non-Bearing Trees	100	100	100	150	500	150	150		150
Total No. Of Trees	3.100	3.100	3.100	3.650	5.000	3.650	3.650		3.650
Production	240	240	240	220	220	240	240		230
Imports	0	0	0	0	0	2	0		0
Total Supply	240	240	240	220	220	242	240		230
Exports, Fresh	29	29	29	33	30	33	33		30
Fresh Dom. Consumption	80	80	80	70	70	90	70		80
For Processing	131	131	131	117	120	119	137		120
Total Distribution	240	240	240	220	220	242	240		230
TS=TD			0			0			0
Comments									
AGR Number									

Comments To Post